



LISA M. GARRETT
DIRECTOR OF PERSONNEL

COUNTY OF LOS ANGELES DEPARTMENT OF HUMAN RESOURCES

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August 02, 2016

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

18 August 2, 2016

LORI GLASGOW
EXECUTIVE OFFICER

AMENDMENT NUMBER TEN TO CONTRACT NO. 74576 FOR ADMINISTRATIVE SERVICES FOR CAFETERIA AND NON-CAFETERIA BENEFIT PLANS AND ABSENCE MANAGEMENT SERVICES; AND AMENDMENT NUMBER FOUR TO CONTRACT NUMBER 76489 FOR EMPLOYEE BENEFITS COMMUNICATION CONSULTING SERVICES AND MATERIALS (ALL DISTRICTS) (3 VOTES)

**CIO RECOMMENDATION: APPROVE (X) APPROVE WITH MODIFICATION ()
DISAPPROVE ()**

SUBJECT

The Department of Human Resources (DHR) currently contracts with Xerox Business Services, LLC (formerly known as Affiliated Computer Services, Inc.) and its wholly owned subsidiary, Buck Consultants, LLC (Buck) to provide third-party administrative (TPA) services for cafeteria and non-cafeteria benefit plans, absence management services (AMS), and Affordable Care Act (ACA) employer mandate compliance services (TPA Contract). DHR also contracts with Buck to provide employee benefit plan communications consulting services and materials (the "Communications Contract"). This Board letter requests extension of these two contracts, which expire on December 31, 2016.

IT IS RECOMMENDED THAT THE BOARD:

1. Delegate authority to the Director of Personnel, or her designee, to finalize and execute an amendment, substantially similar to the attached Amendment Number Ten (Attachment I), to Contract Number 74576 with Buck, effective upon execution of the amendment: (1) to continue provision of TPA, AMS, and ACA reporting services for two additional years with two six-month extension options, from January 1, 2017 through December 31, 2019, and (2) to increase the Maximum Contract Sum by \$13,772,900 to \$63,207,000.
2. Delegate authority to the Director of Personnel, or her designee, to finalize and execute an amendment, substantially similar to the attached Amendment Number Four (Attachment II), to Contract Number 76489 with Buck, effective upon execution of the amendment: (1) to continue provision of employee benefit communications consulting services and materials for two additional years with two six-month extension options, from January 1, 2017 through December 31, 2019, and (2) to increase the Maximum Contract Sum by \$2,976,189 to \$11,806,071.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Purpose

The existing TPA and Communications Contracts will expire on December 31, 2016. Board approval will amend both contracts to extend the term through December 31, 2019 to: (1) allow Buck to continue to provide uninterrupted administrative, communications, and regulatory compliance services for all the County's employee benefit plans; (2) enable DHR to complete a competitive solicitation process for a replacement contract, in accordance with County contracting rules and policies; and (3) allow sufficient time for the successful implementation of replacement services, including migration of approximately 250,000 participant data files and testing, all with no disruption or interruption in services or exposure to regulatory compliance penalties.

Justification

The services provided under these two contracts are essential in order for the County to administer and communicate its employee benefit plans and to demonstrate regulatory compliance with the ACA and the Family and Medical Leave Act (FMLA). Extension of the two contracts is needed for continued provision of these essential services until replacement services are implemented.

If the two current contracts with Buck are not extended, effective January 1, 2017 the County will not be able to administer its medical, dental, life, disability, accidental death and dismemberment (AD&D) insurance, health care spending accounts, dependent care spending accounts, elective annual leave benefits, leaves of absence rules and other health and welfare benefits on behalf of the County's approximately 100,000 employees and their approximately 150,000 dependents. It also will not be possible for the County to demonstrate regulatory compliance with state and federal laws and regulations, including the ACA employer mandate and the FMLA. Finally, it will not be possible to administer the County's employee benefit plans and leaves of absences in accordance with County Code, County Ordinances and your Board's rules and policies.

The ACA employer mandate compliance services were contracted in December 2015 to be provided by Buck once the proposed ACA regulations were finalized. The final employer mandate regulations have already been amended by the federal government since they were "finalized" and may be amended again. Due to the fluid statutory and regulatory environment surrounding the implementation of the ACA, the County needs additional time to properly define the solicitation

requirements for ACA compliance. With respect to the ACA employer mandate, failure to timely and accurately demonstrate regulatory compliance will expose the County to IRS penalties currently estimated at over \$700,000 per year. With respect to leaves of absences, the County was audited ten times by the federal Department of Labor for FMLA compliance during 2015. Additional FMLA audits are expected in future years. Failure to demonstrate compliance with the FMLA would expose the County to potential penalties and possible litigation risks, the costs of which could be substantial.

Implementation of Strategic Plan Goals

The services provided under these two contracts support the County's Strategic Plan, Goal 1, Operational Effectiveness/Fiscal Sustainability, by enabling the County to administer, communicate and demonstrate regulatory compliance with respect to the County's employee benefit plans in an efficient and cost effective manner.

FISCAL IMPACT/FINANCING

The TPA Contract amendment will increase the Maximum Contract Sum through December 31, 2019 by \$13,772,900 for a total of \$63,207,100. The Communications Contract amendment will increase the Maximum Contract Sum through December 31, 2019 by \$2,976,189 for a total of \$11,806,071.

There are no changes to the pricing terms during the extension periods.

Additionally, there are no changes to the funding for the cost of these services. The costs of administrative, communication and regulatory compliance services and materials under the contracts are partially offset by administrative fees paid by participating employees through payroll deductions. The remaining costs are fully offset by billings to County departments. Funding for both contracts is included in the FY 2016-2017 Recommended Budget. Funding for subsequent years will be included in each fiscal year's budget.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Buck was awarded the TPA Contract on August 12, 2003 and the Communications Contract on March 4, 2008, in each case as a result of a competitive solicitation.

The TPA Contract's initial term was five years and five months, with two one-year extension options through December 31, 2013. Your Board approved amendments to the TPA Contract, including an amended and restated TPA Contract in June 2011 to add AMS and to extend the contract term through December 31, 2016. The TPA Contract was most recently amended on December 4, 2015 to add the ACA employer mandate regulatory compliance services.

The Communications Contract's initial term was five years, with two one-year extension options through February 28, 2015. On October 28, 2014, the contract was extended for a 22 month period, with a term ending on December 31, 2016 to synchronize the Communications Contract's term with the TPA Contract's, allowing the County to issue a single solicitation for all services currently provided under two separate contracts.

DHR will conduct a single competitive solicitation to replace all services currently provided by Buck under the two contracts. Buck will continue to provide services under the two contracts during the

solicitation process and implementation of the replacement services. Extending the two Buck contracts will prevent interruption of essential medical and welfare benefit plan administrative, communications and compliance services and prevent regulatory compliance penalties.

Approval of the attached amendments will extend both contracts' terms from January 1, 2017 through December 31, 2019 if two six-month extension options are exercised.

Buck is in compliance with all Board and CEO requirements.

The Chief Information Office (CIO) reviewed the Board letter and proposed amendments and recommends approval. This recommended action simply extends the term of these current Contracts and does not change the scope of services that would necessitate a formal CIO Analysis.

County Counsel has reviewed and approved the attached amendments as to form.

CONTRACTING PROCESS

Both the TPA Contract and the Communications Contract resulted from competitive solicitations.

Sole source notification for extending the two contracts was provided to the Board on February 2, 2016 (Attachment III). Extending the two contracts' terms will allow the County to conduct a fully competitive solicitation process for a replacement contract, with no disruption of current services or risk of regulatory compliance penalties.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

There is no impact on current services. Approval of the recommended actions will ensure uninterrupted employee benefit plan administrative, communications and regulatory compliance services to County employees after the current TPA and Communications Contracts' expiration date of December 31, 2016.

CONCLUSION

Upon approval and execution of the Amendments, the Executive Office, Board of Supervisors, is requested to return one adopted stamped Board letter and two signed originals of the Amendments to DHR. It is requested that the Executive Officer notify the DHR's Employee Benefits Division at (213) 639-6354 when the documents are available.

The Honorable Board of Supervisors

8/2/2016

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Respectfully submitted,



LISA M. GARRETT

Director of Personnel

Reviewed by:



PETER LOO

Acting Chief Information Officer

LMG; DSK

Enclosures

c: Chief Executive Office
County Counsel
Executive Office, Board of Supervisors
Auditor-Controller

AMENDMENT NUMBER TEN
TO
CONTRACT NUMBER 74576
BETWEEN COUNTY OF LOS ANGELES AND
XEROX BUSINESS SERVICES, LLC AND BUCK CONSULTANTS, LLC
FOR
ADMINISTRATIVE SERVICES FOR CAFETERIA AND NON-CAFETERIA BENEFIT
PLANS AND ABSENCE MANAGEMENT SERVICES

THIS AMENDMENT NUMBER TEN is made and entered into this ____ day of _____, 2016 by and between the County of Los Angeles, a political subdivision of the State of California (hereinafter referred to as "County") and Xerox Business Services, LLC (f/k/a Affiliated Computer Services, Inc. ("ACS")) and Buck Consultants, LLC (cumulatively, and jointly and severally, "Contractor") and amends that certain Contract Number 74576, dated August 12, 2003, for administrative services for cafeteria and non-cafeteria benefit plans ("Benefit Plan Services"), as modified by all Amendments and Change Notices thereto, including without limitation by this Amendment Number Ten (hereinafter "Contract").

WHEREAS, on August 12, 2003, County and Contractor entered into the Contract for the provision of Benefit Plan Services; and

WHEREAS, on December 16, 2003, County and Contractor amended the Contract for Contractor to provide additional recordkeeping services ("Amendment One"); and

WHEREAS, on April 18, 2004, County and Contractor amended the Contract to comply with the Security Rule of the Health Insurance Portability and Accountability Act of 1996 ("Amendment Two"); and

WHEREAS, on February 5, 2007, County and Contractor amended the Contract for Contractor to provide additional recordkeeping services ("Amendment Three"); and

WHEREAS, on May 6, 2008, County and Contractor amended the Contract to extend the Contract term through December 31, 2011 with the option to extend the Contract term for two (2) additional one-year periods up to and through December 31, 2013 ("Amendment Four"); and

WHEREAS, Xerox Business Services, LLC (f/k/a Affiliated Computer Services, Inc.) ("ACS") and its subsidiaries, including Buck Consultants LLC ("Buck") were acquired by Xerox Corporation ("Xerox") on February 8, 2010; and

WHEREAS, on June 4, 2010, County and Contractor amended the Contract to comply with the requirements of the Health Information Technology for Economic and Clinical Health Act ("Amendment Five"); and

WHEREAS, on December 22, 2010, County and Contractor amended the Contract to exercise their option to extend the Contract term for one (1) additional year through December 31, 2012 ("Amendment Six"); and

WHEREAS, on March 16, 2011, County and Contractor amended the Contract to allow Contractor to provide additional administrative and recordkeeping services ("Amendment Seven"); and

WHEREAS, on June 28, 2011, County and Contractor amended and restated the Contract to add a new web-based Countywide absence management system ("Absence Management Services") and to extend the Contract term for a period of three (3) years from January 1, 2014 through December 31, 2016; and

WHEREAS, on October 17, 2013, County and Contractor amended the Contract to comply with the requirements of the final regulations pertaining to Privacy, Security, Breach Notification, and Enforcement under the Health Insurance Portability and Insurance Portability and Accountability Act of 1996 ("Amendment Eight"); and

WHEREAS, on August 28, 2015, Work Order # 2 was issued pursuant to Contract # 77474 between Contractor and County for Affordable Care Act ("ACA") Employer Mandate Tracking and Reporting start-up services; and

WHEREAS, on December 4, 2015, County and Contractor amended this Contract to add ACA employer mandate tracking and reporting services ("ACA Employer Mandate Tracking and Reporting Services") to comply with the new Federal reporting rules associated sections of the Internal Revenue Code ("IRC") incorporating the start-up services acquired under Work Order # 2 pursuant to Contract # 77474, to increase the Contract Sum accordingly, to add to the Contract the most current County required and other applicable provisions and to clarify that Contractor's name for purposes of this Contract is "Xerox Business Services, LLC and Buck Consultants" ("Amendment Nine"); and

WHEREAS, County Contract No. 74576 will expire on December 31, 2016; and

WHEREAS, County and Contractor now desire to amend the Contract to extend the Contract Term, to increase the Contract Sum accordingly and to delegate to the Director of Personnel ("DOP" or "Director") or designee authority to exercise Contract extension options to extend the Contract up to and through December 31, 2019, as specified in amended Paragraph 7.0 (Term) of the body of the Contract; and

WHEREAS, Subparagraphs 4.1, 4.3, and 4.4 under Paragraph 4.0 (Changes and Amendments) of the body of the Contract provide that, for such changes, an amendment to the Contract shall be prepared and executed by County and Contractor.

NOW THEREFORE, in consideration of the foregoing, mutual promises, covenants and conditions set forth herein, and pursuant to Paragraph 4.0 (Changes and Amendments) of the body of the Contract, County and Contractor hereby agree to amend the Contract as

follows:

I. Pursuant to Paragraph 4.0 (Changes and Amendments) of the body of the Contract, the following amendments shall be made to the Contract:

A. Subparagraph 7.1 of Paragraph 7.0 (Term) of the body of the Contract shall be deleted in its entirety and replaced with revised Subparagraph 7.1, which is amended to read as follows:

- 7.1 The term of this Contract shall commence upon execution by County's Board of Supervisors and shall continue through December 31, 2018, unless sooner terminated or extended, in whole or in part, as provided in this Contract ("Initial Term").

At the end of the Initial Term or the Extended Term, as applicable, County may, at its sole option, extend this Contract for up to two (2) additional six-month periods ("Extended Term") up to and through December 31, 2019, provided, however, that if County elects not to exercise its option to extend at the end of the Initial Term or the Extended Term, as applicable, the remaining option(s) shall lapse. County shall be deemed to have exercised its extension options automatically, without further act, unless, no later than thirty (30) days prior to the expiration of the Initial Term or the Extended Term, as applicable, County notifies Contractor in writing of its election not to extend the Contract pursuant to this Subparagraph 7.1.

As used throughout this Contract, the word "term" shall include the Initial Term and the Extended Term, to the extent County exercises its options under this Subparagraph 7.1.

B. Subparagraph 8.1 under Paragraph 8.0 (Contract Sum) of the body of the Contract shall be deleted in its entirety and replaced with revised Subparagraph 8.1, which is amended to read as follows:

- 8.1 The Maximum Contract Sum under the term of this Contract shall be the total monetary amount payable by County to Contractor for provision of services specified herein in accordance with Exhibit B (Fee Schedule) and shall not exceed \$63,207,100 for the Term of the Contract, including an estimated 3% Cost of Living Adjustment (COLA) for each year for the Benefit Plan Services. In addition, Contractor acknowledges that the amounts payable by County to Contractor on a monthly basis for the Benefit Plan Services are based on County's actual number of users in the Benefit Plan Services in the applicable month multiplied by the applicable unit rates as set forth on Exhibit B (Fee Schedule) for the applicable Contract Year. Contractor expressly acknowledges and agrees, however, that, in no event is County obligated to pay any amount in excess of the Maximum Contract Sum

per Contract Year for the Benefit Plan Services, Absence Management Services, and ACA Employer Mandate Tracking and Reporting Services respectively, as set forth on Exhibit B (Fee Schedule).

C. Exhibit B (Fee Schedule) shall be deleted in its entirety and replaced with revised Exhibit B (Fee Schedule), which is attached hereto and incorporated herein by reference.

- II. Contractor represents and warrants that the person executing this Amendment Number Ten on behalf of Contractor is an authorized agent who has the actual authority to bind Contractor to each and every term, condition and obligation of this Amendment Number Ten.**
- III. Except as provided in this Amendment Number Ten, all other terms and conditions of the Contract shall remain unchanged and in full force in effect.**

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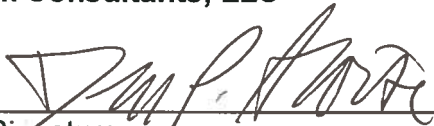
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IN WITNESS WHEREOF, County and Contractor by their duly authorized signatures have caused this Amendment Number Ten to County Contract Number 74576 to be effective on the day, month and year first above written.

**COUNTY OF LOS ANGELES:
DEPARTMENT OF HUMAN RESOURCES**

By _____
Lisa M. Garrett
Director of Personnel

**CONTRACTOR:
Xerox Business Services, LLC
Buck Consultants, LLC**

By  _____
Signature

Dean P. Aloise
Print Name

Global HR Consulting Leader
Title

APPROVED AS TO FORM:

Mary C. Wickham
County Counsel

By  _____
Victoria Mansourian
Principal Deputy County Counsel

EXHIBIT B

FEE SCHEDULE

Exhibit B

Fee Schedule Summary

	Current Contract Maximum Sum: 8/12/03 through 12/31/16	Contract Extension Maximum Sum: 1/1/17 through 12/31/19	Total Contract Maximum Sum: 8/12/03 through 12/31/19
I) PRIOR TO AMENDED AND RESTATED CONTRACT:			
A. Benefit Plans Services			
Benefit Plans Services (8/12/03 through 6/30/11)	\$23,079,900	\$0	\$23,079,900
Sub-Total of Benefits Plan Services (Prior to Amended and Restated Contract)	\$23,079,900	\$0	\$23,079,900
II) AFTER AMENDED AND RESTATED CONTRACT:			
A. Benefit Plans Services			
i.) Sub-Total of Benefits Plans Services (7/1/11 through 12/31/11)	\$1,900,000	\$0	\$1,900,000
Benefit Plans Services (1/1/12 through 12/31/16)	21,794,000	0	21,794,000
Benefit Plans Services (1/1/17 through 12/31/19)	0	11,876,000	11,876,000
ii.) Sub-Total of Benefits Plan Services (1/1/12 through 12/31/19)	\$21,794,000	\$11,876,000	\$33,670,000
(See Pages B-2 and B-3)			
B. Absence Management Services			
Absence Management Services (1/1/12 through 12/31/16)	\$2,250,000	\$0	\$2,250,000
Absence Management Services (1/1/17 through 12/31/19)	0	999,000	999,000
Sub-Total of Absence Management Services	\$2,250,000	\$999,000	\$3,249,000
(See Pages B-2 and B-4)			
C. Affordable Care Act Employer Mandate Tracking and Reporting Services			
Affordable Care Act Employer Mandate Tracking and Reporting start-up services (8/28/15 through 12/31/15)*	\$0	\$0	\$0
Affordable Care Act Employer Mandate Tracking and Reporting Services (1/1/16 through 12/31/16)	410,300	0	410,300
Affordable Care Act Employer Mandate Tracking and Reporting Services (1/1/17 through 12/31/19)	0	897,900	897,900
Sub-Total of Affordable Care Act Employer Mandate Tracking and Reporting Services	\$410,300	\$897,900	\$1,308,200
(See Pages B-2 and B-5)			

* Start-up services were performed and paid for under separate Work Order and are subject to all warranties and other protections under this Contract.

CONTRACT MAXIMUM SUMMARY:

Sub-Total: Contract Maximum Sum Prior to Amended and Restated Contract (8/12/03 through 6/30/11)	\$	23,079,900	\$	-	\$23,079,900
Sub-Total: Contract Maximum Sum After Amended and Restated Contract (7/1/11 through 12/31/19)		\$26,354,300		\$13,772,900	\$40,127,200
TOTAL CONTRACT MAXIMUM SUM:	\$	49,434,200	\$	13,772,900	\$63,207,100

Benefits Plans, Absence Management Services & Affordable Care Act Employer Mandate Summary of Annual Fees - July 2011 through December 2019

SERVICE DESCRIPTION	CURRENT CONTRACT						CONTRACT EXTENSION				8-YEAR TOTAL
	1/1/12 to 12/31/12	1/1/13 to 12/31/13	1/1/14 to 12/31/14	1/1/15 to 12/31/15	1/1/16 to 12/31/16	TOTAL: AMENDED & RESTATED	1/1/17 to 12/31/17	1/1/18 to 12/31/18	1/1/19 to 6/30/19	7/1/19 to 12/31/19	TOTAL: EXTENSION
A. BENEFITS PLANS SERVICES											
SERVICES: January 1, 2012 through December 31, 2016											
Monthly Processing Fees	\$2,864,734	\$3,039,000	\$3,224,000	\$3,420,000	\$3,628,000	\$16,175,734	\$2,897,405	\$3,074,000	\$1,631,000	\$1,631,000	\$9,233,405
Spending Account Administration	497,328	528,000	560,000	594,000	630,000	2,809,328	324,855	345,000	183,000	183,000	1,035,855
Annual Enrollment	281,515	299,000	317,000	336,000	356,000	1,589,515	290,245	307,921	163,000	163,000	924,166
Estimated Annual Costs:	\$3,644,000	\$3,866,000	\$4,098,000	\$4,344,000	\$4,605,000	\$20,557,000	\$3,513,000	\$3,727,000	\$1,977,000	\$1,977,000	\$11,194,000
Maximum Annual Cap (with 3% annual volume cap)	\$3,753,000	\$3,979,000	\$4,217,000	\$4,471,000	\$4,739,000	\$21,159,000	\$3,618,000	\$3,839,000	\$2,036,500	\$2,036,500	\$11,530,000
Maximum Annual Contract Sum (with 3% estimated COLA increase)	\$3,866,000	\$4,098,000	\$4,344,000	\$4,605,000	\$4,881,000	\$21,794,000	\$3,727,000	\$3,954,000	\$2,097,500	\$2,097,500	\$11,876,000
SERVICES: July 1, 2011 through December 31, 2011)											
B. ABSENCE MANAGEMENT SERVICES											
One-Time: Implementation	\$117,000	\$117,000	\$117,000	\$117,000	\$117,000	\$585,000	\$0	\$0	\$0	\$0	\$0
Ongoing	333,000	333,000	333,000	333,000	333,000	1,665,000	333,000	333,000	166,500	166,500	999,000
Maximum Annual Contract Sum:	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	\$2,250,000	\$333,000	\$333,000	\$166,500	\$166,500	\$999,000
AFFORDABLE CARE ACT EMPLOYER MANDATE TRACKING AND REPORTING SERVICES											
One-Time: Start-Up Services & Fees	-	-	-	\$27,000	\$0	\$27,000	\$0	\$0	\$0	\$0	\$0
Ongoing: Services & Fees	-	-	-	84,000	299,300	383,300	299,300	299,300	252,800	46,500	897,900
Maximum Annual Contract Sum:				\$111,000	\$299,300	\$410,300	\$299,300	\$299,300	\$252,800	\$46,500	\$897,900
Total: Benefit Plans Services (Jan 2012 through Dec 2016)	\$ 26,354,300						Total: Benefit Plans Services (Jan 2017 - Dec 2019)				\$13,772,900
Total: Benefit Plans Services (Jan 2012 through Dec 2016)	\$ 26,354,300						Total: Benefit Plans Services (Jan 2017 - Dec 2019)				\$40,127,200

FEE SCHEDULE SUMMARY

Contract Maximum Sum: Amended & Restated Contract, and Extension Period (July 2011 - December 2019)				Contract Maximum Sum: Initial Contract, Amended & Restated Contract, and Extension Period (August 2003 - December 2019):			
CONTRACT MAXIMUM BY SERVICE				CONTRACT MAXIMUM SUM: PRIOR TO AMENDED & RESTATED CONTRACT (August 2003 June 2011):			
Services	Current Contract	Extension Period	Total	CONTRACT MAXIMUM SUM: AFTER AMENDED & RESTATED CONTRACT - CURRENT CONTRACT (July 2011 through December 2016):			
Benefits Plans Services	\$23,694,000	\$11,876,000	\$35,570,000	CONTRACT MAXIMUM SUM: AFTER AMENDED & RESTATED CONTRACT - EXTENSION PERIOD (January 2017 through December 2019):			
Absence Management Services	2,250,000	999,000	3,249,000	TOTAL CONTRACT MAXIMUM (August 2003 through December 2019):			
Affordable Care Act Employer Mandate Tracking & Reporting Services	410,300	897,900	1,308,200				
TOTAL:	\$26,354,300	\$13,772,900	\$40,127,200				

BENEFIT PLANS SERVICES

Per Participant and Transaction Rates²

CURRENT CONTRACT										CONTRACT EXTENSION [#]					8-YEAR TOTAL
	Assumed Volume (Based on 2011)	Jan 1, 2012 - Dec 31, 2012	Jan 1, 2013 - Dec 31, 2013	Jan 1, 2014 - Dec 31, 2014	Jan 1, 2015 - Dec 31, 2015	Jan 1, 2016 - Dec 31, 2016	Annual Total (Without Any Increases)		Assumed Volume (Based on 2019)	Jan 1, 2017 - Dec 31, 2017	Jan 1, 2018 - Dec 31, 2018	Jan 1, 2019 - Jun 30, 2019	July 1, 2019 - Dec 31, 2019	Annual Total (Without Any Increases)	
Monthly Processing Fees															
Flex/Megaflex	12,822	\$2.05	\$2.05	\$2.05	\$2.05	\$2.05	\$315,421		13,685	\$ 2.14	\$ 2.14	\$ 2.14	\$ 2.14	\$351,431	
Choices	35,191	2.15	2.15	2.15	2.15	2.15	907,928		29,223	\$ 2.25	\$ 2.25	\$ 2.25	\$ 2.25	789,021	
Options	48,565	2.15	2.15	2.15	2.15	2.15	1,252,977		54,416	\$ 2.25	\$ 2.25	\$ 2.25	\$ 2.25	1,469,232	
Temps/Part-time	2,907	2.15	2.15	2.15	2.15	2.15	75,001		2,110	\$ 2.25	\$ 2.25	\$ 2.25	\$ 2.25	56,970	
Employee Direct Pay Billing	1,925	4.97	4.97	4.97	4.97	4.97	114,807		1,387	\$ 5.20	\$ 5.20	\$ 5.20	\$ 5.20	86,549	
COBRA Notification	2,500	6.62	6.62	6.62	6.62	6.62	198,600		1,762	\$ 6.82	\$ 6.82	\$ 6.82	\$ 6.82	144,202	
HIPAA Certification	-	5.52	5.52	5.52	5.52	5.52	0		-	\$ 5.67	\$ 5.67	\$ 5.67	\$ 5.67	0	
Sub-Total:							\$2,864,734							\$2,897,405	
Monthly Spending Account Administration ¹															
Flex/Megaflex (annual rates)	5,377	\$0.55	\$0.55	\$0.55	\$0.55	\$0.55	\$2,957		6,591	\$ 0.58	\$ 0.58	\$ 0.58	\$ 0.58	\$3,796	
Checks issued/mailed	3,685	3.42	3.42	3.42	3.42	3.42	147,115		1,949	\$ 3.57	\$ 3.57	\$ 3.57	\$ 3.57	83,495	
Choices (annual rates)	5,420	0.55	0.55	0.55	0.55	0.55	2,981		7,452	\$ 0.58	\$ 0.58	\$ 0.58	\$ 0.58	4,292	
Checks issued/mailed	3,613	3.42	3.42	3.42	3.42	3.42	148,291		2,208	\$ 3.57	\$ 3.57	\$ 3.57	\$ 3.57	94,591	
Options (annual rates)	7,022	0.55	0.55	0.55	0.55	0.55	3,862		12,880	\$ 0.58	\$ 0.58	\$ 0.58	\$ 0.58	7,419	
Checks issued/mailed	4,681	3.42	3.42	3.42	3.42	3.42	192,122		3,064	\$ 3.57	\$ 3.57	\$ 3.57	\$ 3.57	131,262	
Sub-Total:							\$497,328							\$324,855	
Annual Enrollment ¹															
Flex/Megaflex	12,822	\$0.78	\$0.78	\$0.78	\$0.78	\$0.78	\$10,001		13,498	\$ 0.81	\$ 0.81	\$ 0.81	\$ 0.81	\$10,953	
Choices	35,191	0.73	0.73	0.73	0.73	0.73	25,689		28,821	\$ 0.76	\$ 0.76	\$ 0.76	\$ 0.76	21,906	
Options	48,565	0.54	0.54	0.54	0.54	0.54	26,225		54,255	\$ 0.56	\$ 0.56	\$ 0.56	\$ 0.56	30,437	
Temps/Part-time	2,907	0.78	0.78	0.78	0.78	0.78	2,267		1,477	\$ 0.81	\$ 0.81	\$ 0.81	\$ 0.81	1,198	
Decision Planner Worksheet	99,485	1.12	1.12	1.12	1.12	1.12	111,423		96,574	\$ 1.17	\$ 1.17	\$ 1.17	\$ 1.17	113,082	
IVR Script Development ³	1 ann. unit	16,557.19	16,557.19	16,557.19	16,557.19	16,557.19	16,557		1 ann. unit	\$ 17,312.67	\$ 17,312.67	\$ 17,312.67	\$ 17,312.67	17,313	
Web Screen Development ³	1 ann. unit	18,764.83	18,764.83	18,764.83	18,764.83	18,764.83	18,765		1 ann. unit	\$ 19,621.05	\$ 19,621.05	\$ 19,621.05	\$ 19,621.05	19,621	
Confirmation/Default Notice	99,485	0.54	0.54	0.54	0.54	0.54	53,722		96,202	\$ 0.56	\$ 0.56	\$ 0.56	\$ 0.56	53,969	
Mail Spending Account Kit	17,819	0.83	0.83	0.83	0.83	0.83	14,790		22,726	\$ 0.86	\$ 0.86	\$ 0.86	\$ 0.86	19,608	
Mail Spending Account Book	2,500	0.83	0.83	0.83	0.83	0.83	2,075		2,500	\$ 0.86	\$ 0.86	\$ 0.86	\$ 0.86	2,157	
Sub-Total:							\$281,515							\$290,245	
TOTAL							\$3,644,000							\$3,513,000	
Estimated Annual Costs		2012	2013	2014	2015	2016	5-Year Total	2017	2018	Jan to June 2019	July to Dec 2019	3-Year Total	8-Year Total		
Maximum Cap Per Contract Year ⁴ (Including 3% annual cap based on volume)		\$3,644,000	\$3,866,000	\$4,098,000	\$4,344,000	\$4,605,000	\$ 20,557,000	\$3,513,000	\$3,727,000	\$1,977,000	\$1,977,000	\$ 11,194,000	\$31,751,000		
Maximum Cap Per Contract Year ⁵ (Including 3% estimated COLA increase)		\$3,753,000	\$3,979,000	\$4,217,000	\$4,471,000	\$4,739,000	\$21,159,000	\$3,618,000	\$3,839,000	\$2,036,500	\$2,036,500	\$11,530,000	\$32,689,000		
		\$3,866,000	\$4,098,000	\$4,344,000	\$4,605,000	\$4,881,000	\$21,794,000	\$3,727,000	\$3,954,000	\$2,097,500	\$2,097,500	\$11,876,000	\$33,670,000		
CONTRACT MAXIMUM SUM FOR BENEFITS PLANS SERVICES (January 1, 2012 through December 31, 2019)														\$33,670,000	

Notes:

1. All rates shown are monthly except:
 - a. Spending Account Checks issued/mailed are per transaction. Volumes shown are assumed to be monthly. Spending Account Administration for Flex/Megallex, Choices and Options are shown as annual rates.
 - b. Annual enrollment rates for Flex/Megallex, Choices, Options, Temps, and Part-time and Confirmation/Default Notices and Decision Planner Worksheet are charged one time during annual enrollment.
 - c. Mailing of Spending Account Kit and Account Book is per kit or account mailed.
2. Rates are increased annually (benefit plan services) by applicable Cost of Living Adjustments (COLAs)
3. Fees not charged on a per transaction basis include:
 - a. IVR Script Development for annual enrollment
 - b. Web Screen Development for annual enrollment
4. Maximum Cap per Contract Year (Benefit Plans Services) includes 3% annual cap
5. Contract Maximum Sum per Contract Year (Benefit Plans Services) includes 3% estimated COLA increase
6. Variance in rates from Current Contract due to COLA increase being applied for 2016 CPI (Consumer Price Index)

ABSENCE MANAGEMENT SERVICES (AMS) **CONTRACT MAXIMUM SUM FOR THE PERIOD JANUARY 2012 TO DECEMBER 2019**

One-Time: Implementation (Fees amortized over 5 years)

System Configuration for County Rules, Testing and Reports, Modifications of Standard Forms and Letters, including department reference in salutation
 Custom Data Interfaces
 Custom Dashboard
 Workers Compensation, STD/LTD interfaces
 Training 8 hours

Sub-Total: One-Time Implementation

Ongoing

System Access Fee
 Stewardship and System Maintenance

Sub-Total: On-Going

TOTAL:

CURRENT CONTRACT						CONTRACT EXTENSION					8-YEAR TOTAL
1/1/12 to 12/31/12	1/1/13 to 12/31/13	1/1/14 to 12/31/14	1/1/15 to 12/31/15	1/1/16 to 12/31/16	5-YEAR TOTAL	1/1/17 to 12/31/17	1/1/18 to 12/31/18	1/1/19 to 6/30/19	7/1/19 to 12/31/19	3-YEAR TOTAL	
\$69,000 20,214 8,740 15,988 3,058	\$69,000 20,214 8,740 15,988 3,058	\$69,000 20,214 8,740 15,988 3,058	\$69,000 20,214 8,740 15,988 3,058	\$69,000 20,214 8,740 15,988 3,058	\$345,000 101,070 43,700 79,940 15,290	\$0 0 0 0 0	\$0 0 0 0 0	\$0 0 0 0 0	\$0 0 0 0 0	\$0 0 0 0 0	\$345,000 101,070 43,700 79,940 15,290
\$117,000	\$117,000	\$117,000	\$117,000	\$117,000	\$585,000	\$0	\$0	\$0	\$0	\$0	\$585,000
\$ 308,000 \$ 25,000 \$ 333,000	\$ 308,000 \$ 25,000 \$ 333,000	\$ 308,000 \$ 25,000 \$ 333,000	\$ 308,000 \$ 25,000 \$ 333,000	\$ 308,000 \$ 25,000 \$ 333,000	\$1,540,000 125,000 \$ 1,665,000	\$308,000 25,000 \$333,000	\$308,000 25,000 \$333,000	\$154,000 12,500 \$166,500	\$154,000 12,500 \$166,500	\$924,000 75,000 \$ 999,000	\$2,464,000 200,000 \$ 2,664,000
\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	\$2,250,000	\$333,000	\$333,000	\$166,500	\$166,500	\$999,000	\$ 3,249,000

CONTRACT MAXIMUM SUM FOR ABSENCE MANAGEMENT SYSTEM (January 1, 2012 through December 31, 2019)

Notes:

1. CONTRACTOR will continue to receive one daily file from COUNTY from the CWTAPPs and/or eHR system.
2. Fees assume up to 5 feeds from Workers Compensation, STD/LTD carriers on a monthly basis.
3. CONTRACTOR will amortize the implementation fee over the 5-year term. In the event that COUNTY terminates in less than 5 years pursuant to Paragraph 34.0 (Termination for Convenience), COUNTY will pay Buck for any remaining unamortized implementation fees for Absence Management Services.
4. CONTRACTOR will provide eight hours of web-based training pursuant to the Statement of Work, Deliverable 4e. Additional on-site training is available at a fee of \$175 per hour plus travel and expenses for Absence Management Services in accordance with the then-existing County policy on Travel and Expenses.
5. Access to the Absence Management Services will be provided to representatives in all 38 COUNTY departments. COUNTY will define User groups including the number of Users by department and in the aggregate that will have system access. Access v
6. The Employee Self Service feature will not be deployed for the Absence Management Services.
7. The system will support 115,000 active and terminated COUNTY employees. In the event that the active and terminated employees maintained on the system exceeds 115,000, Buck may charge an additional fee of \$30.80 per employee per year for each employee over 115,000.
8. Fees assume two - three summary and/or individual custom level dashboard reports accessible to Users through the County of LA Benefits Portal for the Absence Management Services.
9. Fees assume single sign-on integration from the County of LA Benefits Portal to LeaveLink® (Assumes SAML 1.1 BPP Implementation).

AFFORDABLE CARE ACT (ACA) EMPLOYER MANDATE TRACKING AND REPORTING SERVICES **CONTRACT MAXIMUM SUM FOR THE PERIOD JANUARY 2015 TO DECEMBER 2019**

	CURRENT CONTRACT				CONTRACT EXTENSION					5-YEAR TOTAL
	1/1/15 TO 12/31/15	1/1/16 TO 12/31/16	2-YEAR TOTAL		1/1/17 to 12/31/17	1/1/18 to 12/31/18	1/1/19 to 6/30/19	7/1/19 to 12/31/19	3-YEAR TOTAL	
ONE-TIME: START-UP SERVICES & FEES										
HealthAct Base System Setup: Assumes standard implementation, Full Time Employee Determination - Lookback Method; Setup of HealthAct database; configuration on HealthAct platform; inbound file from County in Contractor's standard file layout format; testing and setup; and administrative portal;	\$5,000	\$0	\$5,000		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$5,000
Additional inbound files in Contractor's standard file layout format, testing and setup;	0	0	0		\$0.00	\$0.00	\$0.00	\$0.00	0	0
IRC 6055/6056 Reporting, file processing, and system maintenance; Form 1095-B and Form 1095-C configuration and setup;	17,500	0	17,500		\$0.00	\$0.00	\$0.00	\$0.00	0	17,500
HealthAct Participant Portal implementation; Setup and configuration on HealthAct platform.	4,500	0	4,500		\$0.00	\$0.00	\$0.00	\$0.00	0	4,500
Sub-Total: One-Time Start-Up Services & Fees	\$27,000	\$0	\$27,000		\$0.00	\$0.00	\$0.00	\$0.00	\$0	\$27,000
ONGOING: SERVICES & FEES										
Pay Rate Safe Harbor Fee	\$0	\$9,000	\$9,000		\$ 9,000	\$ 9,000	\$ 4,500	\$ 4,500	\$27,000	\$36,000
Transmittal per IRC 6055/6056 (for 2015, 2016, 2017, 2018 Tax Year); Data file set for Form 1095-C and Form 1095-B; Form 1094-B and Form 1094-C XML setup (for IRS transmission);	0	14,500	14,500		14,500	14,500	14,500	0	43,500	58,000
Form 1095-B and Form 1095-C production and distribution; \$1.65 per piece, 102,000 FTE's and self-insured COBRA and survivors; includes \$0.43 for print/fulfillment; postage not included. Billed monthly as statements issued; mailing bulk in February 2016;	0	168,300	168,300		168,300	168,300	168,300	0	504,900	673,200
FTE Determination, file processing, and system maintenance; \$4,000 per monthly file starting from January 2015 through December 2019;	48,000	48,000	96,000		48,000	48,000	24,000	24,000	144,000	240,000
Reporting: \$3,000 fee for each reporting month; monthly operations; and file and data management;	36,000	36,000	72,000		36,000	36,000	18,000	18,000	108,000	180,000
IRS Transmission of Form 1094-B & Form 1094-C.		23,500	23,500		23,500	23,500	23,500	0	70,500	94,000
Sub-Total: On-Going Fees:	\$84,000	\$299,300	\$383,300		\$ 299,300	\$ 299,300	\$ 252,800	\$ 46,500	\$ 897,900	\$1,281,200
TOTAL (Includes One-Time and On-Going):	\$111,000	\$299,300	\$410,300		\$299,300	\$299,300	\$252,800	\$46,500	\$897,900	\$1,308,200
CONTRACT MAXIMUM SUM FOR ACA EMPLOYER MANDATE TRACKING AND REPORTING (January 1, 2015 through December 31, 2019)										
\$1,308,200										

AMENDMENT NUMBER FOUR
TO
CONTRACT NUMBER 76489
BETWEEN COUNTY OF LOS ANGELES AND
BUCK CONSULTANTS, LLC
FOR
EMPLOYEE BENEFITS COMMUNICATIONS CONSULTING SERVICES
AND MATERIALS

THIS AMENDMENT NUMBER FOUR is made and entered into this ____ day of _____, 2016 by and between the County of Los Angeles, a political subdivision of the State of California (hereinafter referred to as "County"), and Buck Consultants, LLC ("Contractor") and amends that certain Contract Number 76489, dated March 4, 2008, for employee benefits communications consulting services and materials, as modified by all Amendments and Change Notices thereto, including without limitation by this Amendment Number Four (hereinafter "Contract").

WHEREAS, on March 4, 2008, County and Contractor entered into County Contract No. 76489 for employee benefits communication consulting services and materials; and

WHEREAS, on January 24, 2013, County and Contractor amended the Contract to extend the Contract term through February 28, 2014 ("Amendment One"); and

WHEREAS, on February 14, 2014, County and Contractor amended the Contract to extend the Contract term through February 28, 2015 ("Amendment Two"); and

WHEREAS, on October 28, 2014, County and Contractor amended the Contract to extend the Contract Term through December 31, 2016, to increase the annual cost of the Contract in the amount of \$54,531 and to amend certain terms and conditions of the Contract ("Amendment Three"); and

WHEREAS, County Contract No. 76489 will expire on December 31, 2016; and

WHEREAS, County and Contractor now desire to amend the Contract to extend the Contract Term, to increase the Contract Sum accordingly, to delegate to the Director of Personnel ("DOP" or "Director") or designee authority to exercise Contract extension options to extend the Contract up to and through December 31, 2019, as specified in amended Paragraph 5 (Term) of the body of the Contract, and

WHEREAS, Subparagraph 10.4.3 under Paragraph 10.4 (Change Orders and Amendments) of the Contract provides that for such changes, an amendment to the Contract shall be prepared and executed by the Board and Contractor.

NOW, THEREFORE, in consideration of the foregoing, mutual promises, covenants and conditions set forth herein, and pursuant to Paragraph 10.4 (Change Orders and Amendments) of the body of the Contract, County and Contractor hereby agree to amend the Contract as follows:

I. Pursuant to Subparagraph 10.4.3 of Paragraph 10.4 (Change Orders and Amendments) of the body of the Contract, the following amendments shall be made to the Contract:

A. Pursuant to Paragraph 5 (Term) of the body of the Contract shall be deleted in its entirety and replaced with revised Paragraph 5, which is amended to read as follows:

5. The term of this Contract shall commence upon execution by County's Board of Supervisors and shall continue through December 31, 2018, unless sooner terminated or extended, in whole or in part, as provided in this Contract ("Initial Term").

At the end of the Initial Term or the Extended Term, as applicable, County may, at its sole option, extend this Contract for up to two (2) additional six-month periods ("Extended Term") up to and through December 31, 2019, provided, however, that if County elects not to exercise its option to extend at the end of the Initial Term or the Extended Term, as applicable, the remaining option(s) shall lapse. County shall be deemed to have exercised its extension options automatically, without further act, unless, no later than thirty (30) days prior to the expiration of the Initial Term or the Extended Term, as applicable, County notifies Contractor in writing of its election not to extend the Contract pursuant to this Paragraph 5.

As used throughout this Contract, the word "term" shall include the Initial Term and the Extended Term, to the extent County exercises its options under this Subparagraph 5.

B. Pursuant to Subparagraph 6.3 (Maximum Contract Sum) under Paragraph 6.0 (Prices and Fees) of the body of the Contract shall be deleted in its entirety and replaced with the revised Subparagraph 6.3, which is amended to read as follows:

6.3 Maximum Contract Sum

The Maximum Contract Sum under this Contract shall be the total monetary amount that would be payable by the County to

Contractor for provision of services specified herein in accordance with Exhibit B (Fee Schedule) and shall not exceed \$11,806,071 for the Term of the Contract. Total charges for Part I services shall not exceed the amounts set forth in the Contract Rates, as shown in Exhibit B. The Maximum Contract Sum for this Contract, including applicable Taxes, for the duration of the Contract, including two year extensions and two six-month option extensions, authorized by the County hereunder, shall in no event, expressly or by implication, exceed \$11,806,071 including an allowance of up to \$200,000 annually for special projects as specified in Subparagraph 6.2. Contractor expressly acknowledges and agrees, however, that in no event is County obligated to pay any amount in excess of the Maximum Contract Sum per Contract Year for employee benefits communications consulting services and materials.

C. Exhibit B (Contract Rates) shall be deleted in its entirety and replaced with revised Exhibit B (Contract Rates), which is attached hereto and incorporated herein by reference.

III. Contractor represents and warrants that the person executing this Amendment Number Four on behalf of Contractor is an authorized agent who has the actual authority to bind Contractor to each and every term, condition and obligation of this Amendment Number Four.

IV. Except as provided in this Amendment Four, all other terms and conditions of the Contract shall remain in full force in effect.

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IN WITNESS WHEREOF, County and Contractor by their duly authorized signatures have caused this Amendment Number Four to County Contract Number 76489 to be effective on the day, month and year first above written.

**COUNTY OF LOS ANGELES:
DEPARTMENT OF HUMAN RESOURCES**

By _____
Lisa M. Garrett
Director of Personnel

**CONTRACTOR:
Buck Consultants, LLC**

By  _____
Signature

Dean P. Aloise
Print Name

Global HR Consulting Leader
Title

APPROVED AS TO FORM:

Mary C. Wickham
County Counsel

By  _____
Victoria Mansourian
Principal Deputy County Counsel

EXHIBIT B

CONTRACT RATES



COUNTY OF LOS ANGELES

DEPARTMENT OF HUMAN RESOURCES

HEADQUARTERS

579 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012
(213) 974-2406 FAX (213) 621-0387

BRANCH OFFICE

3333 WILSHIRE BOULEVARD • LOS ANGELES, CALIFORNIA 90010
(213) 738-2211 FAX (213) 637-0821

LISA M. GARRETT
DIRECTOR OF PERSONNEL

February 2, 2016

To: Each Supervisor

From: Lisa M. Garrett
Director of Personnel

Subject: **ADVANCE NOTIFICATION OF INTENT TO NEGOTIATE A SOLE SOURCE CONTRACT EXTENSION WITH XEROX BUSINESS SERVICES, LLC AND BUCK CONSULTANTS, LLC**

This memorandum is to provide advance notification to your Board that the Department of Human Resources (DHR) intends to enter into sole source negotiations for extending the Contracts with (1) Xerox Business Services, LLC and Buck Consultants, LLC for Administrative Services for Cafeteria and Non Cafeteria Benefit Plans and Absence Management System (TPA Contract); and (2) Buck Consultants, LLC for Employee Benefits Communications Consulting Services & Materials (Communications Contract). Both Contracts are with the same entity, hereafter referred to as "Buck" for purposes of this notification.

This notice is being sent in accordance with Board Policy 5.100, *Sole Source Contracts*, which requires County departments that intend to negotiate sole source contracts for Board approval to provide advance written notice to your Board at least four weeks prior to commencing the negotiations.

Under the TPA Contract, as amended, Buck provides third-party administrative (TPA) services for cafeteria and non-cafeteria benefit plans (administrative services), leave of absence management services (AMS), and Affordable Care Act (ACA) employer mandate tracking and reporting services. Under the Communications Contract, Buck provides employee benefits communications consulting services and materials. Both the TPA Contract and the Communications Contract were entered into as the result of two separate competitive solicitation processes and both will expire on December 31, 2016.

DHR is currently working on a solicitation for a single contract to procure replacement services for the services currently provided under the two Contracts with Buck (TPA Contract and Communications Contract). The services provided under these two Contracts are essential in order for the County to meet federal and state regulatory requirements, to administer employee benefits, and to manage employee absences from work. Extension of the two Contracts is needed for continued provision of these essential

To Enrich Lives Through Effective and Caring Service

Each Supervisor
February 2, 2016
Page 2

services to comply with the regulatory requirements, including the ACA employer mandates, until the solicitation process is completed and replacement services are implemented. Failure to extend the TPA Contract and the Communications Contract will result in disruption of the current services for all County employees, effective January 1, 2017.

The TPA Contract services ensure the County's continued compliance with the ACA employer mandates, including the 2015 Internal Revenue Service (IRS) final regulations that require large employers, including the County, to timely report and demonstrate that they offer adequate and affordable health insurance coverage to all full time employees. The AMS is also essential for verification of County compliance with all relevant federal and state laws and regulations regarding employee leaves of absence for purposes of audits by the Department of Labor.

Attached is the Sole Source Checklist for the TPA Contract and Communications Contract. DHR will proceed with the sole source contract negotiations within four weeks unless instructed otherwise by your Board.

Should you have any questions please contact me at (213) 974-2406, or your staff may contact Pamela A. Missett, Assistant Director, at (213) 974-2631.

LMG:EP:PAM
EMC:RU:HP:sl

Attachment


c: Chief Executive Officer
Acting Executive Officer, Board of Supervisors

EB\Contract\LMG to BOS Re. Advance Notice to Enter Sole Source with Buck.docx

**DEPARTMENT OF HUMAN RESOURCES
SOLE SOURCE CHECKLIST**

For extending the term of County Contracts with: (1) Xerox Business Services, LLC and Buck Consultants, LLC for Administrative Services for Cafeteria and Non-Cafeteria Benefit Plans and Absence Management System (TPA Contract); and (2) Buck Consultants, LLC for Employee Benefits Communications Consulting Services & Materials (Communications Contract). Both Contracts are with the same entity, to be referred to as "Buck" for purposes of this justification.

Check (√)	JUSTIFICATION FOR SOLE SOURCE CONTRACTS Identify applicable justification and provide documentation for each checked item.
	<p>➤ Only one bona fide source (monopoly) for the service exists; performance and price competition are not available. Monopoly is an <i>"Exclusive control of the supply of any existing service in a given market. If more than one source in a given market exists, a monopoly does not exist."</i></p>
√	<p>➤ Compliance with applicable statutory and/or regulatory provisions.</p> <p>Under the TPA Contract, as amended, Buck provides third-party administrative (TPA) services for cafeteria and non-cafeteria benefit plans (administrative services), leave of absence management services (AMS) and Affordable Care Act (ACA) employer mandate tracking and reporting services. Under the Communications Contract, Buck provides employee benefits communications consulting services and materials. Both the TPA Contract and the Communications Contract expire on December 31, 2016.</p> <p>Department of Human Resources (DHR) is currently working on a solicitation for a single contract to procure replacement services for those currently provided under the two Contracts with Buck (TPA Contract and Communications Contract). The services provided under these two Contracts are essential in order for the County to meet federal and state regulatory requirements, to administer employee benefits and to manage employee absences from work. Extension of the two Contracts is needed for continued provision of these essential services to comply with the regulatory requirements, including the ACA employer mandates, until the solicitation process is completed and replacement services are implemented.</p> <p>The TPA Contract services ensure the County's compliance with the ACA employer mandates, including the 2015 Internal Revenue Service (IRS) final regulations that require large employers, including the County, to timely report and demonstrate that they offer adequate and affordable health insurance coverage to all full time employees. The ACA employer mandates took effect in calendar 2015, with first reporting now due to the IRS no later than March 31, 2016, and annually every January 31st thereafter. The County must comply with the reporting and compliance obligations of the employer mandates of the ACA or face IRS penalties each year of over \$700,000 and potentially much higher (over \$200 million per year).</p> <p>In response to the issuance of final regulations by the IRS and to ensure County's compliance with such regulations, DHR negotiated and executed on December 4, 2015 an amendment to the TPA Contract with Buck for provision of ACA employer mandate compliance services. Pursuant to that amendment, Buck will also ensure County's compliance with all changes to the final regulations to the ACA employer mandates, as such have already been amended by the IRS since their issuance. Due to the fluid regulatory implementation of the ACA employer mandate, the County has not been able to define the solicitation requirements for ACA compliance prior to 2016.</p> <p>Under the TPA Contract, Buck also currently provides the County with an electronic AMS used by all County departments to track and manage employee leaves of absence, which enables the County to comply with its own rules regarding employee leaves of absence.</p>

Check (✓)	JUSTIFICATION FOR SOLE SOURCE CONTRACTS Identify applicable justification and provide documentation for each checked item.
	<p>The AMS is also essential for verification of County's compliance with all relevant state and federal laws and regulations regarding employee leaves of absence for purposes of audits by the federal Department of Labor. As an example, the County was audited ten times for Family and Medical Leave Act (FMLA) compliance in 2015.</p>
	<p>➤ Compliance with State and/or federal programmatic requirements.</p>
	<p>➤ Services provided by other public or County-related entities.</p>
✓	<p>➤ Services are needed to address an emergent or related time-sensitive need.</p> <p>If the two current Contracts with Buck are not extended, effective January 1, 2017, the County will not be able to administer its employee health and welfare benefit plans, including all medical, dental, life, disability, AD&D, health care and dependent care spending accounts, elective annual leave and other health and welfare benefits to the County's 100,000 employees and their over 125,000 dependents. Nor will it be possible for the County to remain compliant with the ACA employer mandates.</p> <p>Since the County does not possess the internal personnel or systems to provide the essential services currently provided under the two Contracts with Buck, DHR will need to issue a solicitation for engaging a contractor to provide replacement third party administrative services for employee benefits, including communications services for such, absence management services and ACA compliance services. It is not possible for DHR to solicit, procure and implement all such replacement services by the two Contracts' current termination date of December 31, 2016. Failure to extend the TPA Contract and the Communication Contracts will result in disruption of the current services for all County employees, effective January 1, 2017. Extension of these Contracts through December 31, 2018, with two six-month options through December 31, 2019, will allow the County sufficient time to solicit, procure, test and implement all replacement services currently provided under the two current Contracts with Buck.</p>
	<p>➤ The service provider(s) is required under the provisions of a grant or regulatory requirement.</p>
	<p>➤ Additional services are needed to complete an ongoing task and it would be prohibitively costly in time and money to seek a new service provider.</p>
	<p>➤ Maintenance service agreements exist on equipment which must be services by the authorized manufacturer's service representatives.</p>
	<p>➤ It is most cost-efficient to obtain services by exercising an option under an existing contract.</p>
	<p>➤ It is in the best economic interest of the County (e.g. significant costs to replace an existing system or infrastructure, administrative cost savings and excessive learning curve for a new service provider, etc.) In such cases, departments must demonstrate due diligence in qualifying the cost-savings or cost-avoidance associated with the best economic interests of the County.</p>
<div style="display: flex; justify-content: space-between; align-items: flex-end;"> <div style="text-align: center;">  _____ Chief Executive Office </div> <div style="text-align: right;"> FEB 02 2016 _____ Date </div> </div>	